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Alex Pasternack

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Will China Put the "Eco" Back in "Economy"?

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This piece [originally appeared](#) at Treehugger on March 13, 2009.

By Alex Pasternack

It was the recession that Chinese leaders partially credited for helping the country [reach its Five Year Plan pollution goals](#) for the first time in 2008. Meanwhile, energy consumption has been on the decline (though it rose for the first time in three months in February), along with the demand for Chinese goods.

But to put people back to work and maintain its golden number of 8 percent growth, China will pour \$586 billion into the economy. In the process, it may also pour a lot of concrete, a lot of coal into its engines, and a lot of smoke back into the air.

Much of the reason for China's dirtier stimulus is clear: the country is still developing, and still depends largely on dirty industry and manufacturing for growth. It's aiming to be more like developed countries, which rely more heavily on cleaner service sectors, like banking or retail. But on the way there, it's still dirty. And China's leaders don't seem to be showing much interest in making that path — and its end result, for that matter — much cleaner right now.

A message released during the ongoing annual session of the National People's Congress (NPC), said, according to Xinhua, that "saving energy and protecting environment is a big government agenda, though keeping a 'steady and relatively fast' economic growth is a paramount task amid the global economic crisis."

That sounds like a pretty blunt dashing of the hopes of environmental groups like the old Beijing NGO Friends of Nature, which [sent a letter to the NPC this week](#) urging a clean stimulus.

"In order to guarantee good, fast economic development, a few high-pollution, high-energy-consumption, high-risk projects should not be snuck into" the government's investment goals, said the letter. "Use the 4 trillion yuan investment to pioneer a green, low-carbon economy. Don't sacrifice the long-term objectives of conserving energy and reducing emissions for the sake of protecting high energy-consuming industries that have no future."

"Future" isn't exactly something the Party is thinking about. [Forbes' Gady Epstein](#) doesn't parse words in describing the government's relationship with sustainable growth: "Despite a dramatically increased awareness in Beijing of the need to protect the environment, the Communist Party's brand of scorched-earth capitalism still prioritizes economic growth over all else."

As a result, mandatory environmental reviews of many large projects will now be completed twice as quickly while some approvals will be managed by very low and understaffed levels of government.

And even if an industrial project meets environmental regulations, incorporating or turning on clean technology is not going to be a priority for factory or power plant owners if it means added costs. And though the Ministry of Environmental Protection continues to work on improving local oversight of industrial compliance, progress is slow going. The mountains are still high and the emperor is still far away.

Green Projects

Still, the government isn't about to let its green gains slip away in the face of a recession. Many leaders recognize the opportunity China has to clean up its development in a way that the US and Europe did not have the chance or foresight to do. It's partly a matter of playing a role in the global environment befitting a rising superpower. As an [op-ed in China Daily](#) urged this week, "developing a low-carbon economic is a must as China continues to industrialize, not only for the nation's energy security, but also as part of an urgent international responsibility to address global climate

change.” [Hillary Clinton](#), who began [talking about a US-China climate deal](#) in February, could have written that.

The government also knows that in the long term, cleaning up environmental problems is costly, and in the short term, environmental problems lead to social unrest — the feared stick that ultimately spurs the Communist Party’s every move.

To wit: the 4 trillion yuan stimulus package includes a 210 billion yuan (US\$30 billion) investment in environmental protection and energy conservation.

But this sum is a reduction of nearly 40% from the original sum allocated to environmental protection and efficiency in an early draft of the package of RMB350 billion (US\$50 billion).

And as the ever astute Charlie McElwee observes, 210 billion yuan, or 24 billion Euros, is 50 percent of the green investment recommended by a new McKinsey report “China’s Green Revolution.” The study concludes that “from now until 2030, up to 150 billion to 200 billion euros on average would be needed in additional investment each year to effectively deploy the green technologies needed to achieve the substantial improvements.” In the early years, 2011-2015, only 35 billion Euros would be needed. “Nobody said this was going to be cheap,” says McElwee.

To combat a deeper global recession alongside climate change, British Prime Minister Gordon Brown has [recently urged](#) the United States to build a “green New Deal” as a successor to the Kyoto Protocol, while the International Energy Agency has called for a “Clean Energy New Deal,” which would require about \$9.6 trillion in energy efficiency and cleaner power generation during the next two decades.

A report from the London School of Economics’ Grantham Research Institute on Climate Change and the Environment says that climate change mitigation should be an essential part of stimulus money, and may need as much as \$400 billion of extra public spending on “green” energy and development projects worldwide over the next year.

“Installing infrastructure that ‘locks in’ high greenhouse gas emissions for many years to come will increase the difficulties of reducing emissions in the future and blunt the incentives for technological improvement and innovation,” concludes the report.

GDP fall could mean carbon fall

Before the stimulus package, China’s slowed economy emits less carbon than developed economies going through a recession. Again, that’s because its economy relies much more on dirtier enterprises than does the West, so the marginal environmental gains are greater in China.

“Overall, the same fall in GDP in China will have more than twice the impact on emissions as an equal fall in the United States,” Samah Elsayed, an analyst at World Resources Institute, a D.C.-based think tank, told [Greenwire](#).

For instance, Elsayed found that the United Kingdom’s emissions stayed relatively constant during the previous four decades, even as its GDP more than tripled. Not surprising since in 2005, industry accounted for only 27 percent of GDP in Europe, compared to the service sector’s portion of 70 percent, according to the World Resources Institute.

In China, industrial operations accounted for about half of China’s GDP, and the service sector accounted for about 40 percent. In the United States that year, industry made up only a quarter of GDP, while the service sector accounted for 76 percent.

Green stimulus?

To reach its green goals — cutting energy consumption 20 percent per unit of GDP by 2010 while reducing sulfur dioxide and other air pollutants 10 percent — each province in China must cut its energy production by 4 percent per unit of GDP annually, compared with 2005.

China needn't necessarily pony up more money for environmental protection. It need only be careful about the money it's pouring into the economy is being spent.

For instance, write the [NRDC's Barbara Finamore and Alex Wang](#) at China Dialogue, "China could develop criteria to ensure that the 280 billion yuan (US\$41 billion) proposed for housing projects is spent only on green buildings that save water and energy and are located using smart growth principles."

Or, the 1.8 trillion yuan (US\$263 billion) proposed for transportation and the power grid could be focused on building up the country's fledgling intra-city public transit systems and high speed rail lines rather than on highways, and could build transmission lines that are near areas of abundant renewable energy resources.

But what energy China chooses to invest in is key as well. For instance, the bulk of the 580 billion yuan (\$85 billion) to be invested in expanding the country's slowed energy industry in 2009 will go towards coal-fired generation, with nuclear and wind-powered generating capacity making up a smaller percentage.

Social Unrest, and Shortness of Breath

The major reason that will be given for an un-green stimulus in China however is all of those unemployed workers. In the West, dissatisfaction means politicians get voted out of office. In China, it could mean something worse.

But with cooperation from overseas, and the right leadership (where's China's Van Jones?) the country could implement a green jobs program that leverages clean technology to put people to work. In the US, the NRDC estimates some 1.5 million green jobs could be created. By sharing ideas, governments around the world could implement green jobs in an efficient manner, and even coordinate their efforts to match green companies in one country with those in another.

As long as the specter of social anger related to economic woes is greater than that related to environmental complaints, the government is going to focus on the economy.

But citizens' anger isn't so easily divided between economy and ecology, between money and well-being or health. The two issues are interrelated, and as China edges towards greater prosperity, the need for clean growth will become even greater too. The government can either get a head start now, or play catch up like the rest of us, huffing and puffing as it races forward.

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